

THE STATE OF TEXAS 1915(b) PROGRAM

Project Name: LoneSTAR Select II Contracting Program
Project Renewal Approval: February 26, 2002
Project Renewal Expiration: March 4, 2004

PROGRAM SUMMARY

The State of Texas operates a Medicaid managed care program under the authority of a 1915(b)(4) waiver. The program, entitled LoneSTAR Select II Contracting Program, has been in existence since March 10, 1995 and allows the state to selectively contract for non-emergency inpatient psychiatric services for children in specified geographic areas of the State. Texas designed the program to reduce Medicaid hospital expenditures for free-standing psychiatric hospitals that only provide inpatient psychiatric services. Texas has targeted urban areas of the state for this program due to the concentration of both Medicaid recipients and inpatient psychiatric facilities in these areas. General acute care hospitals and children's hospitals, even those providing inpatient psychiatric services, are excluded under this waiver, but are covered under another program called LoneSTAR Select I. The current waiver two-year renewal expires on March 4, 2004.

HEALTH CARE DELIVERY

Under the LoneSTAR Select II Contracting Program the state acts as a prudent purchaser of inpatient psychiatric services for children in specified urban areas of the state. Texas negotiates lower rates in areas where over-capacity exists in order to achieve cost savings. The program uses competition and market forces as the basis for negotiating contracts with providers of inpatient psychiatric services for children.

BENEFIT/SERVICE PACKAGE

The LoneSTAR Select II program selectively contracts with facilities to provide non-emergency inpatient psychiatric services for children. The program excludes general acute care hospitals and children's hospitals which are included under the first, LoneSTAR Select I, program. The contracting facility offers the same array of specialty services that the market offered prior to selective contracting.

COST EFFECTIVENESS

Texas projects savings of \$357,618 during the two years of the renewal.

Contact – Linda Abbott – 410-786-4662 – E-mail – Labbott@cms.hhs.gov

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